

Message Text

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FOR ALMONT EB/ICD/ISM; PASS FEDERAL PREPAREDNESS AGENCY

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TAGS: EIND, BE

SUBJECT: BELGIAN COBALT POWDER

REF: LAMONT-LORE TELECONS 9/7 AND 9/8; BRUSSELS 8473

1. WE WERE ABLE ON SEPTEMBER 10 TO SPEAK WITH DIRECTOR GENERAL STRUMANS DEPUTY, PIERRE SCHEIDWEILER OF THE SOCIETE GENERALE DES MINERAIS (SGM), ON QUESTIONS RAISED BY WASHINGTON IN RESPONSE TO THE REFTEL. HIS COMMENTS ARE AS FOLLOWS:

2. SGM STUDY ON ULTRAFINE POWDER. THIS IS AN INTERNAL PAPER WHICH CANNOT BE RELEASED TO THE USG. IT IS AN EXAMINATION OF FUTURE WORLD MARKET TRENDS IN THE COMMODITY AND THEIR SIGNIFICANCE FOR FURTHER EXPANSION F METALLURGIE HOBOKEN'S PRODUCTION. A FACILITY IN THE U.S. IS ONE OF SEVERAL OPTIONS DISCUSSED (I.E. AS A POSSIBLE ALTERNATIVE TO FURTHER EXPANSION IN ANTWERP)-BUT THE REPORT DOES NOT SPECIFICALLY RECOMMEND THIS COURSE.

3. PLANNING ON A U.S. PLANT. THINKING WITHIN SGM IS STILL NASCENT. IT WILL BE MONTHS BEFORE THE MATTER MIGHT BE BROUGHT BEFORE TOP MANAGEMENT FOR A DECISION-
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CERTAINLY NOT BEFORE SOMETIME NEXT YEAR AT THE EARLIEST.

IF THE DECISION WERE FAVORABLE, IT WOULD BE A MINIMUM OF THREE YEARS BEFORE THE PLANT COULD BE BUILT AND IN OPERATION.

4. TIE-IN WITH UNDERSEA NODULE MINING. SGM REGARDS SUCH A LINK-UP AS AN INTERESTING POSSIBILITY, NOTHING MORE. NO ONE CAN TELL NOW JUST HOW RELIABLE A SOURCE OF COBALT THE NODULES WILL BE IN THE 1980'S, SCHEIDWEILER SAID. BESIDES, U.S. STEEL MAY HAVE ITS OWN IDEAS ON WHERE AND HOW TO MARKET THE MINERALS. SGM WILL THUS NOT RPT NOT TAKE THE NODULE MINING INTO ACCOUNT IN STUDYING THE FEASIBILITY OF A POSSIBLE U.S. PLANT. IT WILL BASE ITS CALCULATIONS ON SUPPLY OF RAW MATERIAL FROM ZAIRE ONLY.

5. OBJECTION TO HALL CHEMICAL. SGM QUESTIONS HALL'S TECHNOLOGICAL CAPACITY TO BE A VIABLE JOINT-VENTURE PARTNER. MOREOVER, SGM IS CONCERNED WITH POSSIBLE ANTI-TRUST IMPLICATIONS OF A DEAL WITH HALL UNDER U.S. LAW, ACCORDING TO SCHEIDWEILER. THROUGH SUPPLY OF COBALT METAL TO HALL FOR OXIDES/SALT PRODUCTION AND ITS OWN EXPORTS TO OXIDES/SALT TO THE U.S., SGM CALCULATES THAT THE SOCIETE GENERALE GROUP IS BEHIND SOME 90 PERCENT OF THE TOTAL SUPPLY OF OXIDES/SALTS IN THE U.S. SCHEIDWEILER EXPRESSED LITTLE DOUBT THAT MORE SUITABLE U.S. PARTNERS WOULD BE AVAILABLE TO WORK WITH - IF SGM DECIDES ON THE INVESTMENT AND IF IT THEN CHOOSES TO MAKE IT BY A JOINT VENTURE. IN THIS CONNECTION, SCHEIDWEILER EMPHASIZED THAT SGM MIGHT WELL CHOOSE TO MAKE THE INVESTMENT UNILATERALLY. HE SAID THAT HOBOKEN HAS SO FAR BEEN THE ONLY FREEWORLD PRODUCTION PLANT TO MAKE A SUCCESS OF THIS SORT OF SOPHISTICATED COBALT REFINING, SO SGM WOULD NOT NECESSARILY NEED A JOINT-VENTURE PARTNER AT ALL TO EXPAND INTO THE U.S.

7. SCHEIDWEILER ADDED TWO POINTS WHICH HE ASKED TO BE EMPHASIZED. FIRST, SGM BELIEVES THAT IN COMMERCIAL TERMS, THE U.S. IS RECEIVING AND WILL CONTINUE TO RECEIVE THE QUANTITY OF ULTRAFINE IT NEEDS. ALTHOUGH SUDDEN, CYCLICAL SPURTS IN DEMAND CAN OCCASIONALLY CAUSE NATURAL DELAYS IN DELIVERY, SGM IS CONFIDENT THAT ITS U.S. CUSTOMERS ARE AS WELL AND RELIABLY SERVED AS COULD BE EXPECTED. SECONDLY, HE SAID THAT THERE HAD BEEN SOME RETHINKING ABOUT THE PERIOD NEEDED TO BUILD A POSSIBLE 4 1/2 MILLION POUND LIMITED OFFICIAL USE

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STOCKPILE IN THE U.S. SGM NOW BELIEVES THAT TWENTY MONTHS (SEE REFTL) IS MUCH TOO OPTIMISTIC. THE PERIOD WOULD PROBABLY BE SEVERAL YEARS - POSSIBLE FIVE, AND PERHAPS MORE. SGM WOULD, AT THE SAME TIME, HAVE TO KEEP UP WITH A FAST-EXPANDING INTERNATIONAL MARKET. SCHEIDWEILER ADDED THAT HOBOKEN WOULD HARDLY BE EXPECTED TO ADD EXCESS CAPACITY TO BUILD THE STOCKPILE ANY FASTER, SINCE THIS CAPACITY WOULD THEN SIT IDLE FOR YEARS UNTIL SUFFICIENT WORLD DEMAND APPEARED TO UTILIZE IT. FIRESTONE

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